(c) whether the State Governments have been consulted in the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) No, Sir.

(b) and (c) Do not arise.

Low capital base of old private Banks

2290. SHRI CHITTABRATA MAJUMDAR:
SHRI DIPANKAR MUKHERJEE:

Will the Minister of FINANCE be pleased to state:

(a) whether the capital base of old private sector Banks in the country is very low and many of them are likely to report losses if Basel-II norms are made operational; and

(b) if so, the measures taken by Government to prevent some of these old private sector Banks from collapsing?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Capital base of some of the private sector Banks is low. However, the banking system by and large, appears well capitalized to meet the Basel-II standards.

(b) To enable the private sector Banks emerge as a stronger entity, Reserve Bank of India (RBI) has issued guidelines on merger and amalgamation between private sector Banks and of NBFCs with private sector Banks on May 11, 2005. Besides, with a view to lay down a comprehensive network of policy in a transparent manner relating to ownership and governance of private sector Banks in India, RBI has issued guidelines on 'Ownership and Governance of Private Sector Banks' on 28.02.2005, which *inter-alia* provide increased capital base and diversified ownership of these Banks, adherence to corporate governance principles etc. These guidelines are available on RBI website www.rbi.org.in. Further, to provide the Banks additional options for raising capital funds within the existing legal framework, RBI has issued guidelines on 25.01.2006 for raising capital funds through the issue of innovative perpetual debt instruments, debt capital instruments, perpetual non-cumulative preference shares and redeemable cumulative preference shares.